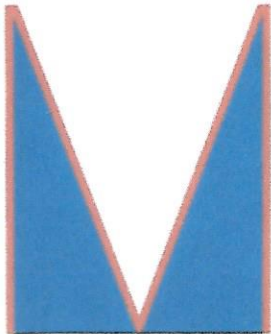


City of Bonaparte

Independent Accountant's Examination Report
on Applying Agreed-Upon Procedures
For the Period
August 1, 2014 Through July 31, 2015



MARTIN P BROWN CPA

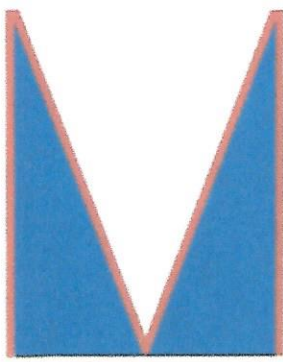
Certified Public Accountant

"Managing Peoples' Business"

1405 N Elm St Suite 102 West Liberty IA 52776

Phone: (319)627-7389

Email: mpbrown@lcom.net



MARTIN P BROWN CPA

Certified Public Accountant

"Managing Peoples' Business For 15 Years"

1405 N Elm St Suite 102 West Liberty IA 52776

Phone: (319)627-7389

Email: mpbrown@lcom.net

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
And Members of City Council:

I have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Bonaparte for the period August 1, 2014 to July 31, 2015. The City of Bonaparte's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.

8. I reviewed compliance with Chapters 12C.2, 12B.10 and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. I reviewed debt, including general obligation and revenue bonds and notes and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. I reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. I reviewed and tested selected payroll and related party transactions for propriety, proper authorization and accurate accounting.
13. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of the financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had I performed additional procedures, or had I performed an audit of the City of Bonaparte, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Bonaparte and other parties to whom the City of Bonaparte may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the City of Bonaparte during the course of these agreed upon procedures. If you have any questions concerning any of the above matters, I will be pleased to discuss them with you at your convenience.



Martin P Brown CPA
Certified Public Accountant
October 30, 2015

City of Bonaparte
Detailed Recommendations
For the period August 1, 2014 through July 31, 2015

(A) Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash and petty cash: handling, recording and reconciling.
- (2) Receipts: opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements: purchasing, invoice processing, check writing, mailing, reconciling and recording. Checks do require two signatures.
- (4) Payroll: recordkeeping, preparation and distribution.
- (5) Financial Reporting: preparing and reconciling.
- (6) Journal Entries: preparing and journalizing.

There are no controls on the petty cash, which is used for change only.

Recommendation: Segregation of duties is difficult with a limited number of employees. However, the City should periodically review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. The independent review procedures set up by the City, including reviews of reports by the Mayor and City Council, should be monitored to ensure continued compliance.

(B) City Council Meeting Minutes: Minutes of five meetings were not signed. All instances of noncompliance were with a prior clerk; no instances of noncompliance were noted with the current clerk.

Recommendation: The City should ensure all minutes are signed by both the Mayor and Clerk as per Iowa Code Chapter 380.7.

(C) Bank Reconciliations—Independent Review: There is no evidence of an independent review of the bank reconciliations.

Recommendation: Procedures should be set up to ensure bank reconciliations are reviewed and approved. Reviewing individuals should initial to note reconciliations have been reviewed.

City of Bonaparte
Detailed Recommendations
For the period August 1, 2014 through July 31, 2015

- (D) Bank Reconciliation—Outstanding Checks: No listing of outstanding checks is retained. A reconciled bank balance is not being reported to the City Council.

Recommendation: A listing of outstanding checks should be retained for each bank reconciliation. Procedures should be in place to document when outstanding checks are redeemed.

- (E) Deposits and Investments—Depository Resolution: A resolution naming official depositories has been adopted by the City Council as required by Chapter 12.C.2 of the Code of Iowa; however no maximum amount to be deposited was approved in the resolution.

Recommendation: The City Council should, by resolution, approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12.C.2 of the Code of Iowa.

- (F) Deposits and Investments—Investment Policy: The City has not adopted a written investment policy as required by Chapter 12.B.10B of the Code of Iowa. Per the agreed upon procedures engagement, no investments were held by the City during the period reviewed.

Recommendation: The City should adopt a written investment policy that complies with Chapter 12B.10B of the Code of Iowa.

- (G) Certified Budget: Disbursements during the year ending June 30, 2015 exceeded the budgeted amounts in the Public Safety, Public Works and General Government functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation: The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

- (H) Fund Balance--Reporting: Fund balances are not reported in the Clerk's Report.

Recommendation: Fund balances should be reported to the City Council monthly.

City of Bonaparte
Detailed Recommendations
For the period August 1, 2014 through July 31, 2015

- (I) Payroll—Approval: Payroll is approved by the Mayor, but there is no evidence for the approvals.

Recommendation: Approvals should be documented by initials or signature of the Mayor, where appropriate.

- (J) Business Transactions--Disbursements: Six tested disbursements had no supporting documentation. Eight tested disbursements were documented but not approved by the City Council. These transactions occurred during the change in clerk.

Recommendation: The City should establish procedures to ensure all disbursements are properly documented and approved by the City Council before disbursements are issued.

- (K) Payroll and Sales Tax Filings: Due to a late payment of payroll taxes, the City incurred a penalty of \$12.28 to the Internal Revenue Service. Due to two improperly filed sales tax returns, penalties of \$23.32 were incurred. These instances occurred during the change in clerk. Had the forms been properly filed and tax timely paid, these penalties would not have been incurred by the City.

Recommendation: Procedures should be implemented to ensure all tax returns are filed timely and properly, and taxes paid. Procedures should be in writing to allow any new staff to be properly trained on the City's tax filings.

- (L) Business Transactions—Utility Bill: A councilmember is receiving a credit on their utility bill to reimburse for water testing expenses. As a result, the expenditure is not being approved by the City Council. The amount credited is below the amount that would consider it a conflict of interest under Chapter 362.5(k).

Recommendation: To ensure proper approval and documentation, the councilmember should submit an invoice for approval by the City Council, and be reimbursed by the City for these expenses.

- (M) Governmental Transactions—Classification: Three deposits for Local Option Sales Tax were classified to Road Use Tax and three deposits for Road Use Tax were classified to Local Option Sales Tax.

Recommendation: Procedures should be implemented to ensure proper classification of governmental revenue, and action should be taken to correct the reports.

City of Bonaparte
Detailed Recommendations
For the period August 1, 2014 through July 31, 2015

(N) Separately Maintained Records: The City maintains separate records for the City's Library, and maintains a separate Independence Day account. These transactions and resulting balances are not included in the City's records, resulting in incorrect fund balances being reported. Receipts and disbursements for the Library and receipts to the Independence Day account are not documented in the City Council's minutes as being approved. As of the date of this report, the Clerk is in the process of incorporating this information into the City's records, but it was not complete.

Recommendation: Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received and expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis. Action should be taken to correct any necessary reports.

City of Bonaparte
Other Information
For the Period August 1, 2014 through July 31, 2015

The City of Bonaparte was incorporated in 1899 and in 2010 had a population of 433. It is located in Van Buren County.

Officials at report date:

Name:	Title:	Term Expires:
Dana Mabe	Mayor	12/31/2015
Caleb Huddleston	Councilmember	12/31/2015
Margo Elliott	Councilmember	12/31/2015
Sherry Christy	Councilmember	12/31/2017
Holly Richardson	Councilmember	12/31/2017
Dustin Troutman	Councilmember	12/31/2017
Kim Boyer	Clerk	Indefinite

This examination was performed by Martin P Brown, Certified Public Accountant, of the firm Martin P Brown CPA